

3d Supp. Kekacs Decl. Ex. 381

Tracy, James

From: O'Brien, Thomas <tobrien@statebankofli.com>
Sent: Thursday, December 08, 2011 9:17 PM
To: La Rue, Scott; Serbaroli, Esq., Francis J; Adler M.D., Karl P.
Cc: Covone, Annmarie; O'Connor, Patricia
Subject: RE: Kateri

Scott,

I left you a voice mail when I got off the telephone this evening.

This doesn't surprise me. I think when we discussed this group and turned them away there was a suspicion they would try to buy their way back in.

My view is that we turned them down because they are not credible buyers, in our judgment. That judgment remains unchanged based on the evidence and our advisors expert opinion. I don't think it is in our interest to waste valuable time with these people.

IF, we were simply selling real estate then this would be a different process and exercise but we are selling a business, mission and real property.

I am in my Long Island office all day tomorrow if you want to conference but I feel we need to get a signed deal with a credible buyer at a fair price ASAP. We have that with CareRite and time is the enemy of our ambitions and mission.

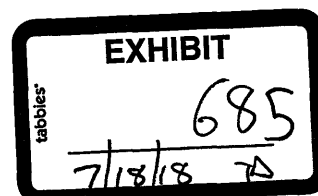
Thanks,
Tom

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From: La Rue, Scott [<mailto:slarue@chcsnet.org>]
Sent: Thu 12/8/2011 3:42 PM
To: O'Brien, Thomas; Serbaroli, Esq., Francis J; Adler M.D., Karl P.
Cc: Covone, Annmarie; O'Connor, Patricia
Subject: Kateri

Good afternoon,

We are in the final stages with CareRite and executing the LOI for the \$80M offer. The logistics of how the deposit will be transferred are being worked out. At the same time CareOne sent a note to Joe Beck a little while ago increasing their offer to \$95M.



There are many complications with their offer per Joe Beck:

1. The nursing home operator they are using lacks meaningful experience and financial capacity.
2. The financial investment group has had a very negative experience with SEIU in Conn.
3. The offer of \$95M can no longer be assumed a deal that the operator intends on continuing it as a nursing home greater than the 5 years required.
4. Another of Morgan Keegan's clients refuses to do business with this group based on past experience.

All anecdotal, we would need at least another week to try and vet more information, meet with them etc.

We do have options, we could respond back:

1. Thanks but were not interested.
2. Or request a large non-refundable deposit such as \$5M if the deal does not close and accept our LOI as is, if they say yes worse case we are \$5M for the better and the underlying real estate value of Kateri will not have worsened.
 - a. We do risk being questioned about our sincerity to sell it as a nursing home.
 - b. We do risk the value of Kateri as a SNF deteriorating when regional pricing is announced in the next couple of weeks.
 - c. We do risk souring our relationship with SEIU, which is very significant.
 - d. We do risk delaying the influx of cash for the expansion of HCBS strategy.

I would be most comfortable having a phone meeting of the Divestiture Sub-Committee with Morgan Keegan to review the current state of affairs and receive direction from the Board on how they would like me to proceed. The committee includes Bill Whiston and Dave Brown, which I believe is important, I would not want the Archdiocese to feel that we did not make them aware of this substantially different offer. This would have to occur in the next 48 business hours if we were not to delay the CareRite \$80M deal. Many of these same individuals are at the TCC Task Force Meeting (As well as others) being held on Monday and we could address it there instead of the call if you prefer.

Please let me know if you concur with this approach, and if so proceed with scheduling the call or waiting until Monday's Task Force meeting.

Scott

Scott La Rue
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